



Ernie Fletcher
Governor

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Christopher L. Lilly
Commissioner
Department of Public Protection

Commonwealth of Kentucky
**Environmental and Public Protection
Cabinet**

Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460

Mark David Goss
Chairman

Teresa Hill
Vice Chairman

Gregory Coker
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
(502) 564-3940 x208
(502) 330-5981 (cell)

PSC APPROVES BELL SOUTH MERGER WITH AT&T
Merger will have no immediate effect on rates

FRANKFORT, Ky. (July 25, 2006) – The Kentucky Public Service Commission (PSC) has approved the merger of BellSouth Corp. with AT&T, Inc.

In an order issued today, the PSC imposed certain conditions on the transaction, including that the merger have no immediate effect on rates, terms and conditions of services provided in Kentucky and that a state headquarters be maintained in Kentucky.

During the proceedings before the PSC, AT&T and BellSouth also agreed to certain principles. They include capping rates for basic local service for five years, maintaining local charitable and economic development activities, adhering to labor agreements in place at the time of the merger and notifying the PSC prior to closing any facilities in the state.

Existing agreements with local phone service providers that purchase services will remain in effect following the merger. BellSouth and AT&T also said the merger will speed their deployment of broadband services in rural areas of Kentucky.

BellSouth has about 1 million telephone customers in 77 counties in Kentucky. It employs about 2,600 people in Kentucky.

When the merger is completed, BellSouth will operate under the name AT&T. The merger also brings Cingular Wireless, jointly owned by BellSouth and AT&T, under a single owner.

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AT&T was formerly SBC, a regional telephone company which grew out of the Southwestern Bell Co. SBC took on the AT&T name last year when it acquired AT&T Corp., which was primarily a long-distance telephone service provider. Cingular had previously acquired AT&T Wireless.

AT&T is headquartered in San Antonio. Cingular's headquarters would remain in Atlanta after the merger, as would a regional headquarters for operations in the nine states now served by BellSouth.

Documents in the case are available on the PSC Web site. The case number is 2006-00136.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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